



WIFA

Water Infrastructure Finance Authority
of Arizona

Arizona's Drinking Water Revolving Fund



Intended Use Plan
Funding Cycle 2005

Governor Janet Napolitano
WIFA Chairman Stephen A. Owens
WIFA Executive Director Jay R. Spector

January 2005

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EXECUTIVE SUMMARY

The Water Infrastructure Finance Authority of Arizona (WIFA) Board of Directors is pleased to release **Arizona's Drinking Water Revolving Fund (DWRF) Intended Use Plan (IUP) for the 2005 funding cycle**. The DWRF IUP describes WIFA's plan to utilize various sources of funds to finance drinking water infrastructure and support related program activities during the 2005 funding cycle from January 1, 2005 through December 31, 2005.

Included as *Exhibit A* of the DWRF IUP is the **2005 Funding Cycle Priority List (PL)**. The PL shows communities and water systems seeking financial assistance from Arizona's DWRF. At the release of this report, communities and water systems throughout Arizona submitted **44 applications requesting \$71,536,578 in financial assistance**.

From January 1, 2005 through December 31, 2005, the WIFA Board of Directors will use the PL as a guide to allocate financial assistance from Arizona's DWRF to communities and water systems listed on the PL. Each board meeting, the WIFA Board of Directors may revise the PL and modify the fundable range for construction based on project readiness to proceed and other new information. WIFA staff will post the revised PL on the WIFA Web site (www.azwifa.gov).

Overall, the financial assistance and related program activities supported by Arizona's DWRF share the same objectives: **protect public health, ensure safe and sustainable drinking water, and guarantee the affordability of basic water infrastructure**. Arizona's DWRF also supports the national program goal of Clean and Safe Water and the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

SECTION 1: INTRODUCTION

During the 2005 funding cycle, Arizona's DWRF capacity will depend on the:

1. Amount of state contributions to Arizona's DWRF;
2. Amount of federal contributions to Arizona's DWRF;
3. Financing structure needs of water systems;
4. Interest rate on the DWRF financial assistance; and,
5. Availability of other state funds to support financial assistance activity.

Available funding for funding cycle 2005 has increased in comparison to funding cycle 2004 due to WIFA's 2004 bond sale and the proceeds received from that sale. Arizona's DWRF also supports the national program goal of Clean and Safe Water and the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

SECTION 2: FUNDING SOURCES AND USES

Arizona's DWRF is capitalized by state contributions and by contributions appropriated by the United States Congress. Once capitalized, Arizona's DWRF provides, in perpetuity, financial assistance to drinking water systems throughout Arizona.

Through active portfolio and financial management, WIFA's lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds.

During the 2005 funding cycle, Arizona's DWRF will rely on the funding outlined in **Table 1** to provide financial assistance to communities, support WIFA's operations, and support related program activities administered by WIFA and/or the Arizona Department of Environmental Quality (ADEQ). Each of the intended uses of funding is more fully described in Table 1.

Table 1: Arizona DWRF Sources and Uses for 2005 Funding Cycle

	Federal Contributions	State Contributions*	WIFA Revenue	WIFA Loan Accounts	Total
Funding Sources					
Financial Assistance Funds				\$51,261,327	\$51,261,327
2005 Funds	\$9,410,300	\$1,882,060	\$1,472,615		\$12,764,975
Total Funding Sources	\$9,410,300	\$1,882,060	\$1,472,615	\$51,261,327	\$64,026,302
Funding Uses					
Financial Assistance Funds	\$9,033,888	\$1,882,060		\$51,261,327	\$62,177,275
Public Water System Supervision			\$1,472,615		\$1,472,615
Administration	\$376,412				\$376,412
Total Funding Uses	\$9,410,300	\$1,882,060	\$1,472,615	\$51,261,327	\$64,026,302

***State match may be either WIFA bonds or state general fund monies.**

The sources and uses for the 2005 funding cycle shown in Table 1 are based on the FY 2005 budget. The federal budget for the DWRF in 2005 is \$850 million.

Financial Assistance: \$62,177,275

WIFA will provide cash funded loans for financial assistance. WIFA will reserve a minimum of 15% for water systems that serve less than 10,000 persons.

Forgivable Principal: \$450,000 – WIFA may award forgivable principal to disadvantaged communities in accordance with WIFA Policy 1.013 – Disadvantaged Drinking Water Systems. Funds not awarded for this will revert to loans effective December 31, 2005.

Public Water System Supervision (PWSS): \$1,472,615

During state FY 2005, ADEQ will use this funding for the PWSS Program, which encompasses all of the various activities involved in implementing the Safe Drinking Water Act requirements in Arizona. These activities include operator certification, source water assessment and protection, development of regulatory guidance and assistance documents, assisting systems in obtaining the technical, financial, and managerial capability to comply with drinking water regulations, and technical consultations on water system and treatment system design.

ADEQ and WIFA have decided this year to forgo the use of Drinking Water SRF capitalization grant monies to fund the PWSS program. Instead, the grant dollars normally allocated for this program will be used to add additional lending capacity to the Drinking Water SRFs loan program. WIFA will use the “fee” portion of the borrower charged Combined Interest and Fee rate (CIFR) to fund the PWSS program in 2005.

Administration: \$376,412 – During state FY 2005, WIFA will use the funding to administer Arizona’s DWRF and assist drinking water systems to conceive, develop, expedite, construct, and finance technically sound and sustainable water infrastructure.

Technical and Local Assistance will be addressed in the Technical Assistance (TA) Intended Use Plan (IUP). The TA cycle begins **July 1, 2005** and ends **June 30, 2006**. Please visit WIFA’s Web site (www.azwifa.gov) for more information about WIFA’s technical and local assistance programs.

SECTION 3: GOALS

WIFA adopts an annual strategic plan listing goals, ongoing objectives, and annual objectives. The goals listed below are taken directly from the WIFA 2004-2005 Strategic Plan. For additional detail on goals, ongoing objectives, and annual objectives, request a copy of the WIFA 2004-2005 Strategic Plan from WIFA's Communications Director, (602) 364-1314.

Goal 1: Award WIFA's resources in accordance with the needs of Arizona's citizens.

Goal 2: Maintain the fiscal integrity of WIFA's funds and assure continuous enhancement for future generations.

Goal 3: Facilitate access to and efficiently deliver financial and technical assistance.

Goal 4: Coordinate with other funding sources, technical resources, and regulatory authorities, and private sector legal and financial counterparts.

Goal 5: Actively pursue leadership in infrastructure finance.

Goal 6: Efficiently administer WIFA within a positive work environment.

Goal 7: Facilitate and encourage board of directors' involvement in WIFA.

SECTION 4: METHOD AND CRITERIA FOR DISTRIBUTING ARIZONA'S DWRF

Lending Capacity for 2005 Funding Cycle – If there are insufficient projects ready to proceed during the 2005 funding cycle, WIFA will apply funds to the FY 2006 funding cycle project priority list. If additional funding becomes available during the fiscal year, WIFA will expand the fundable range of the 2005 funding cycle project priority list.

Each board meeting, the WIFA Board of Directors may update the DWRF PL, fundable range for design and fundable range for construction based on project readiness to proceed, refined project cost estimates, availability of other funding sources, and other new information affecting the expansion and contraction of the PL and fundable ranges. The WIFA Board of Directors will adopt the updated DWRF PL and fundable ranges at public meetings and will distribute the updates to all DWRF PL applicants and other interested parties.

Priority List, Exhibit A – On Wednesday, Oct. 27, 2004, WIFA staff convened a scoring committee including members from the Arizona Department of Environmental Quality, Arizona Department of Water Resources, Arizona Corporation Commission and U.S. Department of Agriculture Rural Development. The committee scored and ranked priority list applications submitted by communities pursuant to WIFA's DWRF award criteria. All eligible applications received appear on the 2005 funding cycle priority list.

Fundable Range for Design, Exhibit B – Includes the highest ranking applicants ready to receive design assistance during the funding cycle.

Fundable Range for Construction, Exhibit C – Includes the highest ranking applicants ready to receive construction assistance.

Market Loan Rate – The WIFA Board of Directors has established a target interest rate ranging between 70% and 100% of tax-exempt interest or prime rates. The WIFA Board of Directors will set interest rates/subsidies on individual loans pursuant to the:

- ✓ Priority of the project;
- ✓ Local fiscal capacity of the area served by the system requesting assistance; and,
- ✓ Lending capacity of Arizona's DWRP.

Local fiscal capacity will be measured by the area's median household income, user rates and charges, and the community's outstanding debt.

Binding Commitments – The WIFA Board of Directors will allocate financial assistance in accordance with DWRP funds available, the DWRP PL, financial assistance requested, a community's financial capacity, and project readiness to proceed.

Once on the DWRP PL, an applicant will submit a project finance application to request financial assistance. WIFA staff will review the project finance application, analyze the applicant's legal, technical, managerial, and financial capability, and provide recommendations to the WIFA Board of Directors. The WIFA Board of Directors approves an applicant's financial assistance request, WIFA staff will prepare and circulate financial assistance documents to evidence the binding commitment in accordance with applicable federal requirements.

SECTION 5: PUBLIC REVIEW AND COMMENT

WIFA solicited public review and comment on the draft **2005 DWRF IUP and PL** according to the following schedule of activities:

- | | |
|-------------------|--|
| November 4, 2004 | Distribution and Web posting of the draft DWRF IUP and PL to all interested parties. |
| November 16, 2004 | Public Hearing – 1110 West Washington, Room #250, Phoenix, Arizona 85007 10 a.m. |
| November 23, 2004 | Deadline for public comments on the draft DWRF IUP and PL. |
| December 8, 2004 | The WIFA Board of Directors adopts the final DWRF IUP and PL. |
| January 3, 2005 | Final DWRF IUP and PL become effective. Distribution and Web posting of Final DWRF IUP and PL. |

SECTION 6: ASSURANCES

Files and Records Retention – WIFA will receive and review project documents from financial assistance applicants. These documents will be filed in official project files maintained by WIFA. The project files and other DWRF records will be made available in accordance with the Arizona public records law. It is expected that EPA will review the files on a sample basis in conjunction with on-site visits scheduled as part of WIFA’s annual review or other monitoring of the state’s management of DWRF funds.

WIFA will retain the official project files and other DWRF files in accordance with federal and state requirements.

Expeditious and Timely Expenditures – WIFA will expend DWRF funds in a timely and expeditious manner.

Environmental Review Requirements – In accordance with applicable federal requirements, WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.



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Exhibit A:

2005 Funding Cycle Priority List

Arizona's Drinking Water Revolving Fund

Governor Janet Napolitano
WIFA Chairman Stephen A. Owens
WIFA Executive Director Jay R. Spector

Arizona's Drinking Water Revolving Fund
2005 Funding Cycle – Priority List for Drinking Water Revolving Fund
December 2, 2004

Rank	Applicant	Population	Project Title	Project #		Amount Requested	Subsidy Rate Index
1	Rincon Water Company	115	Main Replacement	011	2005	\$ 143,000	70%
2	Flowing Wells Irrigation District	16,000	Arsenic Treatment System	012	2005	\$ 1,000,000	70%
3	Camp Verde Water System	2,500	Arsenic Treatment System and Relocation of Source Main	035	2005	\$ 1,200,000	70%
4	Golden Corridor Water Co.	115	Storage and Booster System Replacement	004	2005	\$ 60,000	70%
5	Antelope Run/Indiada Water Companies	500	Consolidation of Companies, with Upgrade and Increase Storage Capacity	040	2005	\$ 600,000	75%
6	Oak Creek Utility Corp.	50	Storage Capacity Upgrade	009	2005	\$ 50,000	70%
7	Sue Juan Water Company	120	Arsenic Removal and Treatment	048	2005	\$ 155,000	70%
8	Sitgreaves Water Company	0	Storage Tank Design	014	2005	\$ -	70%
9	Far West Water & Sewer, Inc.	27,482	Water Treatment Plant Two	024	2005	\$ 7,000,000	70%
10	East Slope Water Company	1,700	Increase Capacity at Ramsey Storage/Pumping Facility	039	2005	\$ 400,000	70%
11	Verde Lee Water Company	500	Arsenic Removal by Home Installation of Reverse Osmosis Units	044	2005	\$ 36,000	70%
12	Abra Water Company	1,320	Arsenic Removal and Treatment System	049	2005	\$ 260,000	70%
13	Water Utility of Greater Buckeye	1,193	Arsenic Removal and Treatment Facilities	036	2005	\$ 300,000	70%
14	Water Utility of Greater Tonopah	515	Arsenic Removal and Treatment Facilities	038	2005	\$ 850,000	70%
15	North Mohave Valley Corp.	4,200	Tank Construction and Rehabilitation	047	2005	\$ 250,000	70%
16	Keaton Development Company	1,000	System Evaluation of Production, and Distribution System	013	2005	\$ 35,000	70%
17	Valencia Water Company	3,845	Arsenic Removal and Treatment Facilities	037	2005	\$ 4,400,000	75%
18	Livco Water Company	1,200	Old Concho/Concho Valley Consolidation	028	2005	\$ 150,000	70%
19	Tucson Water Department	408,865	South Avra Valley Raw Water Delivery Pipeline	026	2005	\$ 2,000,000	75%
20	Valley Utilities Water Company	4,400	Arsenic Removal and Treatment Facilities	043	2005	\$ 1,883,600	75%
21	Community Water Company	16,000	Design/Construction of Arsenic Treatment Facilities	008	2005	\$ 3,700,000	75%
22	Green Valley DWID	8,000	Groundwater treatment System and New Well	046	2005	\$ 1,400,000	75%
23	Mohawk Utility Company	400	Upgrade of Plant and Expansion of Storage	015	2005	\$ 75,000	70%
24	Tacna Water Co.	350	New Source of Quality Water	002	2005	\$ 300,000	75%

**Arizona's Drinking Water Revolving Fund
2005 Funding Cycle – Priority List for Drinking Water Revolving Fund
December 2, 2004**

Rank	Applicant	Population	Project Title	Project #		Amount Requested	Subsidy Rate Index
25	City of Flagstaff	60,988	New Water Wells	006	2005	\$ 8,500,000	75%
26	Livco Water Company	1,200	Upgrade/Replace Water Meters	027	2005	\$ 75,000	70%
27	Metropolitan Domestic Water Improvement District	44,000	Village Ave. C/D Zone Transmission Main	017	2005	\$ 165,000	70%
28	Metropolitan Domestic Water Improvement District	44,000	Mainline Replacement Projects	018	2005	\$ 530,000	70%
29	Metropolitan Domestic Water Improvement District	44,000	Northeast Reservoir Booster Station	019	2005	\$ 700,000	70%
30	Metropolitan Domestic Water Improvement District	44,000	Northeast Reservoir Gravity Storage System Installation	020	2005	\$ 5,500,000	70%
31	Metropolitan Domestic Water Improvement District	44,000	Paseo Del Norte Transmission Main	021	2005	\$ 165,000	70%
32	Metropolitan Domestic Water Improvement District	44,000	Magee Road Transmission Main - Phase 3	022	2005	\$ 1,350,000	75%
33	City of Phoenix	1,480,187	Deer Valley WTP Granular Activated Carbon Conversion	023	2005	\$ 6,800,000	85%
34	Livco Water Company	1,200	Well #3 Pump, Controls and Connect to System	030	2005	\$ 20,000	75%
35	Livco Water Company	1,200	Well #4 Pump, Controls and Connect to System	031	2005	\$ 40,000	75%
36	Beaver Dam Water Co.	1,000	Expansion and Upgrade of Storage and Distribution System	045	2005	\$ 250,000	75%
37	Livco Water Company	1,200	Replace Asbestos Pipline	034	2005	\$ 120,000	70%
38	City of Flagstaff	60,988	Future Water Acquisition	005	2005	\$ 15,000,000	80%
39	Livco Water Company	1,200	Water Storage Capacity	029	2005	\$ 100,000	75%
40	Stanfield Elementary School District #24	1,000	Repair/Rehab. Existing Well	042	2005	\$ 28,000	75%
41	Yarnell Water Improvement Association	1,300	Upgrade Wells Project	010	2005	\$ 250,000	70%
42	Livco Water Company	1,200	Well #4 Activate Inactive Well	032	2005	\$ 15,000	80%
43	Livco Water Company	1,200	Well #3 Activater Inactive Well	033	2005	\$ 20,000	80%
44	Pineview Water Company	4,000	2 Million Gallon Storage Tank/12" Transmission Main	001	2005	\$ 680,978	75%
45	Double G Mobile & RV	90	Water Storage and New Well	016	2005	\$ 20,000	80%
46	Forest Lakes DWID	2,500	Installation of Water Meters for Conservation	007	2005	\$ 675,000	80%
47	Tucson Water Department	408,865	Southeast E-Zone Reservoir	025	2005	\$ 1,500,000	85%
48	Antelope Run Water Company	400	New Wells	041	2005	\$ 100,000	80%

Arizona's Drinking Water Revolving Fund
2005 Funding Cycle – Priority List for Drinking Water Revolving Fund
December 2, 2004

Rank	Applicant	Population	Project Title	Project #		Amount Requested	Subsidy Rate Index
49	City of Globe	8,565	Expansion and Upgrade of Storage and Distribution System	003	2005	\$ 5,000,000	80%



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Exhibit B:

2005 Funding Cycle Fundable Range for Design

Arizona's Drinking Water Revolving Fund

Governor Janet Napolitano
WIFA Chairman Stephen A. Owens
WIFA Executive Director Jay R. Spector

Arizona's Drinking Water Revolving Fund
2005 Funding Cycle – Fundable Range for Design Financial Assistance
December 2, 2004

Fundable Range	MPL Rank	Applicant	Project Title	Project #	Amount Requested	Subsidy Rate Index
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Exhibit C:

2005 Funding Cycle Fundable Range for
Construction

Arizona's Drinking Water Revolving Fund

Governor Janet Napolitano
WIFA Chairman Stephen A. Owens
WIFA Executive Director Jay R. Spector

**Arizona's Drinking Water Revolving Fund
2005 Funding Cycle – Fundable Range for Construction Financial Assistance
December 2, 2004**

Fundable	MPL					Amount	Subsidy
Range Rank	Rank	Applicant	Project Title	Project #		Requested	Rate Index
1	57	City of Flagstaff	New Water Wells	006	2005	\$ 8,500,000	75%
2	70	City of Flagstaff	Future Water Acquisition	005	2005	\$ 15,000,000	80%
3	76	Pineview Water Company	2 Million Gallon Storage Tank/12" Transmission Main	001	2005	\$ 680,978	75%
4	81	City of Globe	City of Globe Water Bond Issue 2004	003	2005	\$ 5,000,000	80%



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Water Infrastructure Finance Authority
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Exhibit D:

Public Review and Comment Summary
Arizona's Drinking Water Revolving Fund

Governor Janet Napolitano
WIFA Chairman Stephen A. Owens
WIFA Executive Director Jay R. Spector

SECTION 1: SUMMARY OF COMMENTS FROM PUBLIC HEARINGS AND PUBLIC MEETINGS

A public hearing was conducted in Phoenix at 1110 W. Washington Avenue, Room 250 beginning at 10 a.m. on Tuesday, November 16, 2004. Members of the public present:

Waseem Kuan, Miller Brooks Engineering, Inc.
Paul Bennett, Pima County Wastewater Management
Glen E. Peterson, Pima County Wastewater Management
Jonathan Bernreuter, WIFA
Angelica Martinez, WIFA
Christina Worden, WIFA

Below are the written comments provided at the November 16, 2004 public hearing:

Paul Bennett, Pima County Wastewater Management
Support efforts and projects listed and within the fundable range.

The Board of Directors approved and adopted the Final DWRF Intended Use Plan, Final Priority List, Final Fundable Range for Design and Fundable Range for Construction at a **public meeting** on Wednesday, Dec. 8, 2004.

A public review and written comment period for the Final DWRF IUP and PL was publicly advertised and conducted from November 3, 2004 through November 23, 2004. Comments were due by November 23, 2004 at 5 p.m.

Written comments from the Environmental Protection Agency, Region IX (EPA) were received during the public review and comment period. WIFA's responses are noted below.

SECTION 2: SUMMARY OF CHANGES TO THE DRAFT DWRF INTENDED USE PLAN

The **Environmental Protection Agency** (EPA) provided written comments as summarized below:

Page i, Section 1, Page 1: Effective January 2005, any new grant award workplan (in the case of the SRF, the IUP) must show how the grant support the Agency Goals and Objectives. Therefore, please add the following statements at the end of the last paragraph.

“Arizona's DWRF also support the national program goal of Clean and Safe Water and the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).”

Staff Response: Staff included the reference at the end of the paragraph.